

Message Text

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PAGE 01 BRUSSE 01901 282117Z

12

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SPC-03 SS-20 STR-08 TRSE-00 DRC-01 PA-04 PRS-01

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FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 333

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

USMISSION EC BRUSSELS UNN

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E. O. 11652: N/A

TAGS: ENRG, BE

SUBJECT: E. O. 11652: N/A

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SUBJECT: ENERGY: PETROLEUM RETAIL PRICE CONTROVERSY

REF: BRUSSELS 1752

1. SUMMARY: COMPROMISE APPEARS IMMINENT IN PETROLEUM
RETAIL PRICE CONTROVERSY IN BELGIUM. GOVERNMENT HAS
PROPOSED AND MOST OF INDUSTRY APPEARS READY TO ACCEPT
PRICE INCREASE OF ABOUT BF 1300 PER TON OF REFINED PRODUCTS
FOR ONE MONTH PERIOD WHILE EXPERTS STUDY
MORE PERMANENT SETTLEMENT OF DISPUTE, END SUMMARY.

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PAGE 02 BRUSSE 01901 282117Z

2. GOVERNMENT-INDUSTRY-UNION MEETINGS ON INDUSTRY REQUEST FOR SUBSTANTIAL INCREASE IN RETAIL PETROLEUM PRICES CONTINUED THROUGHOUT LAST WEEKEND AND INTO THE WEEK. ON EVENING MARCH 26 GOB CABINET OFFERED COMPROMISE PROPOSAL WHICH CALLS FOR IMMEDIATE INCREASE IN RETAIL PRICES OF ABOUT BF 1300 PER TON OF REFINED PRODUCT PLUS IMMEDIATE CREATION OF JOINT GOVERNMENT-INDUSTRY-UNION PETROLEUM CONSULTATION AND CONTROL COMMITTEE.

3. TRADE UNIONS UNENTHUSIASTIC ABOUT GOVERNMENT PROPOSAL BUT HAVE DECIDED NOT TO OPPOSE. PETROLEUM FEDERATION RESPONDED BY LETTER LATE MARCH 27 WITH COUNTER-OFFER. FEDERATION INDICATED THAT OIL COMPANIES WILL RENEW CRUDE IMPORTS AND REFINING FOR ONE MONTH PERIOD IF SPECIAL AD HOC EXPERTS GROUP IS CREATED AND GIVEN INSTRUCTIONS TO PRODUCE MORE "RATIONAL" PRICE STRUCTURE WITHIN THAT PERIOD. FEDERATION LETTER EMPHASIZED THAT FINAL DECISION TO RENEW IMPORTS RESTS WITH INDIVIDUAL COMPANIES BUT WE HAVE INDICATIONS THAT MAJORITY IF NOT ALL THE MAJOR COMPANIES WILL IN FACT RENEW IMPORTS FOR ONE MONTH TRIAL PERIOD. BELGIAN CABINET WILL MEET EVENING MARCH 28 TO DISCUSS FEDERATION COUNTER-OFFER AND WE UNDERSTAND THEY WILL ACCEPT FEDERATION CONDITIONS.

4. GOVERNMENT PRICE PROPOSAL OF BF 1300 PER TON FALLS BETWEEN LAST TRADE UNION OFFER OF BF 700 AND LAST PETROLEUM FEDERATION COUNTER-PROPOSAL OF BF 1700 PER TON. COMPANIES INSIST THEY WILL LOSE MONEY AT NEW RATE (AND INDEED WOULD DO SO AT OF 1700) BUT ARE PREPARED TO GO ALONG WITH COMPROMISE "OUT OF SPIRIT OF CIVIC RESPONSIBILITY AND FOR A TEMPORARY PERIOD". PETROLEUM INDUSTRY HAS BEEN CONSISTENTLY LOSING IN PUBLIC RELATIONS FIGHT OVER THIS ISSUE AND CURRENT POLITICAL SITUATION WITH CATHOLIC PARTY ATTEMPTING TO FORM COALITION GOVERNMENT IN COORDINATION WITH SOCIALISTS MAKES IT DIFFICULT FOR INDUSTRY TO FIND INFLUENTIAL SUPPORTERS.

5. GOVERNMENT PROPOSAL CALLS FOR LOADING LARGEST PART LIMITED OFFICIAL USE

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PAGE 03 BRUSSE 01901 282117Z

OF AUTHORIZED PRICE INCREASE ON HEAVY FUEL END OF PRODUCTION SPECTRUM, THEREBY EASING EFFECT OF INCREASE ON PRIVATE CONSUMERS. MEDIUM TO LONG TERM IMPLICATIONS OF THIS APPROACH, HOWEVER, ARE UNDER CRITICISM. LARGE INCREASE IN PRICE OF HEAVY FUEL OIL TO LEVEL ABOVE THAT IN NEIGHBORING COUNTRIES WILL CAUSE INDUSTRIAL CONSUMERS TO IMPORT THEIR NEEDS RATHER THAN BY LOCALLY. THIS MOVE WILL ENCOURAGE LOCAL REFINERIES TO ALTER PRODUCTION

SCHEDULES TOWARD LIGHT PRODUCTS WHICH
COULD RESULT IN SHORTAGES OF MIDDLE DISTILLATES AND
HEAVY FUEL. ALSO, INCREASE IN HEAVY FUEL OIL
PRICES MAY SPARE CONSUMERS IN SHORT RUN BUT WILL INCREASE
PRODUCTION COSTS FOR BELGIAN INDUSTRIES.

6. ACCORDING TO RELIABLE INDUSTRY SOURCE, INDUSTRY
COUNTER PROPOSAL WAS SHELL INITIATIVE INTENDED TO PROVIDE
BREATHING SPACE FOR CATHOLIC PARTY LEADER TINDEMANS WHO
IS ATTEMPTING TO FORM NEW GOVERNMENT. SOCIALISTS
(SUPPORTED BY SOCIALIST TRADE UNION FGFB) ARE
NEGOTIATING WITH TINDEMANS IN EFFORT TO GET ALL OR
MOST OF THEIR POLITICAL PROGRAM ADOPTED BY TINDEMANS
AS PRICE FOR PARTICIPATION IN COALITION. MAJOR SOCIALIST
DEMAND IS COMMITMENT TO CREATE PETROLEUM REFINERY IN WALLONIA
WHICH WOULD BE AT LEAST PARTIALLY STATE-OWNED.
STRAUSZ-HUPE

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